C8075-1 5/3/82

THE FEEDING OF AMERICA

BEST AVAILABLE COPY

Restaurant Business

May 1, 1982 VOL. 81, NO. 6

Contents

COVER STORY

The Feeding of America—This one-of-a-kind report takes the pulse of what the American consumer wants when dining out. Interviews with foodservice marketers and an analysis of how lifestyle shifts will shape our future are also included . . **149**

MENU IDEAS

The popularity of poultry—Food editor Kathleen Kenny shows you how to use a wide variety of poultry products to create an array of soups, salads and entrees **229**

FEATURES

NRA Show Preview—A schedule of events for the 63rd convention, plus a guide to Chicago's hot dining spots **66**

Business Executives' Dining Awards—A list of the most popular U.S. restaurants among businessmen **110**

The sky's the limit at Flying Lady II—This 69,000 sq. ft. restaurant in Morgan Hill, Cal., which took 4½ years and $4.5 million to build, expects to gross $14 million **112**

Round the Corner Restaurants—Extensive market research is helping this 17-unit chain, headquartered in Boulder, Col., to remain competitive **124**

Controversial McDonald's wins community acceptance—Affectionately called St. Mac's, this uniquely designed unit is now part of historic Ann Arbor **132**

Counter-culture cafe becomes a fondue restaurant—With a new location and menu, Geja's is attracting an upscale clientele in Chicago's North side **140**

Everything Yogurt—This young, seven unit chain in New York is looking for franchisees to expand its healthy concept . . **200**

Redwood West—A pre-engineered building has helped an Oklahoma entrepreneur cut construction costs **280**

DEPARTMENTS

Sanitation Tips **2**

RB Insights **12**

Calendar **14**

Editorial **16**

Up Front **22**

Menu Planners Guide **48**

Promotional Spotlight **62**

Trade Quotes **80**

Tax Bite—Rules of entertainment deductions **88**

Personal Finance—Understanding the mortgage market **92**

Operations Management—Mutiny in the restaurant **96**

Management—Operation task force **106**

Worth Writing For **208**

Raising Your Equipment I.Q.—Great griddles **210**

Equipment Maintenance—Deep fat fryers **216**

Drafts, Carafes & Spirits—Heavy demand for light beverages **219**

Bar Management Guide **222**

Buyer's Circle—The latest in foodservice equipment **224**

Design Marketplace **237**

Management Psychology—Verbal warnings **276**

Restaurant Stirrings **278**

Book Reviews **284**

Letter to the Editor—A gut level cover story **286**

Classifieds **290**

Cover illustration by Jean Tuttle

← For information circle number 9

How life-style shifts will shape our future

by Thayer C. Taylor

The most dominant market trend of the decade will be the maturing of the baby boomers who will trigger a sharp increase in consumer buying power.

Restaurant marketers will be selling to an upscale market in the 1980s as the baby boom generation moves toward the peak income years of the life cycle and as upper-level life-style groups continue to flourish (see Life-style table.) At the same time, however, forces outside the industry, such as a potential crisis in personal value systems and the convergence of computer and telecommunications technologies, will strongly influence people's decisions on whether to eat out or eat in.

The most dominant market trend of the decade will be the maturing of the baby boomers, making the 35-44 year-old age group the fastest growing segment. Because of their sheer numbers and their acquired job experience, the baby boomers will trigger a sharp upward thrust in consumer buying power.

According to Martin Duffy, vice president, Data Resources Inc., an econometric forecaster in Lexington, Mass., projections by DRI show consumer buying units in this age group (35-44) fattening their share of total personal income from 21.6 percent in 1980 to 25.8 percent in 1990, the largest bundle of any age group.

From another perspective, Walter Dolde, General Electric economist, estimates that the $35,000-$49,999 and $50,000-and-over income segments will each increase its aggregate income more than $200 billion over the course of the decade.

Although upper income households spend more than twice as much on eating out than the typical family, the oncoming income cornucopia won't guarantee success for all industry outlets. Markets will become more fractionated as rising income and educational levels enable consumers to choose to pursue alternative life-styles among more options. Picking the right market target, divining its needs and wants, and developing products and services to satisfy those requirements will call for more sophisticated planning, not to mention more sensitive monitoring of life-style trends.

The demographic basics—age, income, education—will help marketers formulate winning sales strategies. But the newer life-style analysis that gives more dimension to demographics will provide additional insights into why consumers behave the way they do. Life-styles, in brief, pertain to the values people believe in, the attitudes they have, and the manner in which they conduct their lives.

The linkage between demographics and life-styles is capsuled this way by Roger Blackwell of Management Horizons, a Columbus, Ohio, marketing research firm: "Although rising incomes mean that consumers can conceivably buy more of everything, they cannot conceivably do more of everything because of time restrictions." An individual's life-style, he adds, is a strong determinant of how he allocates his money and time.

Although life-style enthusiasts insist their way of classifying consumer groups is superior because it cuts across all age, income, and education groups, certain demographics offer a helpful quantitative measure of life-style trends. For example, take the startling changes in households, the key consumer buying unit. A universal sales target used to be the "typical" family consisting of a working husband, stay-home wife, and one or more chil-

continued on page 190

Thayer C. Taylor is senior editor of Sales & Marketing Management *Magazine, a sister publication of* Restaurant Business.

dren. Back in 1950, when the new values began to stir, such a family accounted for 70 percent of all households; today, the ratio has plummeted to 15 percent.

A once monolithic market has been splintered into variegated markets by life–style trends that prefer pluralism in living arrangements. Between 1960 and 1980, singles rocketed from 13 percent of all households to 23 percent; female-headed units from 8 percent to 13 percent of all families, from 13 percent to 26 percent of all households.

Behind this radical transformation has been a seismic shift in values. The traditional set of values that pivoted around conformity, self-denial, and hard work has been replaced by what have been called the *new values*. The cornerstone of the new values is the focus on self which translates into self-fulfillment, self-expression, self-idealization. Other hallmarks of the new values: social pluralism, or greater acceptance of differences in the way people live and work; thrust towards physical, emotional, and mental fitness; changing roles of men and women; naturalism as a reaction against materialism, and the goal of a full, rich, and satisfying life.

Surveys by Yankelovich, Skelly & White, a New York market research firm, reveal the rapid spread of the new values. In 1970, the firm says, just under half of all adults had adopted some of the new values; by the mid-1970s, 60 percent, and by 1980, more than 80 percent.

One of the more ambitious efforts to bring order out of the melange of newer life–styles is the Value Analysis and Life–Styles program (VALS) of SRI International, a market researcher in Menlo Park, Cal. VALS divides the adult population (16 and older) into three major groups:

1. *Need-Driven*, who are driven by needs rather than choices;
2. *Outer-Directed*, who conduct their lives according to what others will think, and
3. *Inner-Directed*, who live according to their inner wants and pleasures.

In turn, the three groups are subdivided into eight sub-groups. Here is how Arnold Mitchell, head of the VALS program, describes them:

Need-Driven consumers are made up of:

Survivors—the most disadvantaged segment of the population, mired in poverty, can barely meet their basic needs, are out of the mainstream.

Sustainers—a cut above them, also poor, mostly young but strug-

Integrated Consumers

Name	Integrated
Pop./%	1980 3 Mil/2% 1990 7 Mil/4%
DEMOGRAPHY	Bi-modal age Male/female High income High education
VALUES	Mature Tolerant Individualistic World view
BUYING STYLE	Ecology Quality Aesthetics Unique Standards

Outer-Directed Consumers

Name	Belongers	Emulators	Achievers
Pop./%	1980 57 Mil/35% 1990 54 Mil/30%	1980 16 Mil/10% 1990 18 Mil/10%	1980 35 Mil/22% 1990 36 Mil/20%
DEMOGRAPHY	Low/middle income Low/middle education Non-entrepreneurial Ethnics Many women Non-city	Good income Good education Upward mobile Entrepreneurial Young single Male Urban	Excellent income Excellent education Arrived Male but changing Metropolitan
VALUES	Fitting in, conventional Group membership Tradition, nostalgia Reliable Submissive	Status Display Aspiration Manipulative Competitive Macho	Success/fame Puritan ethic Materialism Efficiency Dominating Comfort
BUYING STYLE	Custom Popularity Fads Stable, mass market Brand names	Conspicuous Voguish Extremes Overstatement Disseminators	Originators Luxury Top of line Technology

Note: Population 18 years and older.

Source: SRI International.

Profile of SRI's lifestyle groups contains pointers for restaurant marketers on how to sell to specific market segments. A group's values and buying style will give some indication of the type of products it looks for, advertising appeals it will respond to, and even the kind of interior decorations with which it will feel most comfortable.

gling to get ahead.

Outer-Directed consumers consist of:

Belongers—the largest population group, seek to fit in, are traditionalists, have low-to-medium income and education.

Emulators—young and ambitious, live flamboyantly, upwardly mobile and status-conscious, have a good income and education.

Achievers—the second largest group, success-oriented, materialistic, have excellent income and education.

Inner-Directed consumers comprise:

I-Am-Me—mostly late teens and early twenties, hence impulsive, faddish, and narcissistic.

Experiential—in their 20s and 30s, seek a rich inner life, direct experiences, and intense involvement.

Societally Conscious—pursue "socially responsible" lives, highly value smallness of scale, are very aware of societal issues such as conservation and environmentalism.

In addition to the three major life-style groups and their eight sub-groups, there is another consumer group—*Integrated*—which according to SRI stands atop its life-style hierarchy. Belonging to this group are those who live in accord with an inner sense of what is fitting, self-fulfilling, and balanced, the ones who have "arrived," many of whom are leaders in their field.

Life-style groups are not necessarily homogeneous, any more than a particular age or income group is. Incomes of the Experientials, for example, are bi-modal: on the high end for two-paycheck couples, on the low end for college students.

There's also an ebb and flow between the groups as most of the population will pass through more than one of the groups in its lifetime. Emulators are predominantly male, Mitchell says, but their ranks are being swelled by career women.

SRI has begun looking at specific product and service purchases of the life-style types. Fragmentary findings suggest, says senior marketing specialist Robert Kimball, "Each group has a restaurant-type favorite. Sustainers and Survivors use fast-food places whereas Belongers favor family-type outlets, Emulators and Societally Conscious will go to a fast-food restaurant when eating alone but will go to a

continued on page 192

Need-Driven Consumers

Name	Survivors	Sustainers
Pop./%	1980 6 Mil/4% 1990 7 Mil/4%	1980 11 Mil/7% 1990 11 Mil/6%
DEMOGRAPHY	Poor Unemployable Minorities Slum dwellers Broken families Large families	Blue collar Unemployment Poor education Minorities Slums/rural Largish families
VALUES	Struggle to survive Multiple disadvantages Instant gratification Suspicion Lack of controls	Hope to improve Safety Security Dependent Followers Insecure Rigid Authoritarian
BUYING STYLE	Basic needs Localized outlets Erratic patterns Time payments	Cautious expansion Price Brand names Guarantees Reassurances

Inner-Directed Consumers

Name	I-Am-Me	Experiential	Societally Conscious
Pop./%	1980 8 Mil/5% 1990 11 Mil/6%	1980 11 Mil/7% 1990 16 Mil/9%	1980 13 Mil/8% 1990 20 Mil/11%
DEMOGRAPHY	Under 25 Single Affluent First job/school Urban	20-40 Pairs Bi-modal income Good education	Age range Male/female Bi-modal income High education Mid-upper class Diverse locations
VALUES	Experimental Self-expressive Impulsive Individualistic	Direct experience Participative Hedonistic Intuitive Avant Garde	Socially responsible Voluntary simplicity Inner Growth Small scale
BUYING STYLE	Display Fad Clique Far-out	Making Doing Crafts Sports	Conservation Authenticity Aesthetics Non-Consumption

Source: SRI INTERNATIONAL.

The top end of the lifestyle hierarchy will post the fastest growth in the 1980s, according to SRI's projections. The number of Integrated consumers will more than double, increasing 133%, while the Societally Conscious will expand 54%, Experiential 46%, and I-Am-Me 38%. Should economic growth falter, SRI experts caution, the Inner-Directed may grow at a slower pace and the Outer-Directed at a faster pace than shown here.

white table cloth restaurant when dining with someone. I-Am-Me are heavy fast food users.

Significantly, the ascendency of the new values was greatly encouraged by the affluence of the 1950s and 1960s. The more troubled economy of the 1970s and early 1980s has raised questions as to the impact a less prosperous climate will have on the newer life-styles.

"All the changes have to be looked at in the matrix of the social-economic condition," argues Howard Leonard, a researcher at Young & Rubicam USA, a New York advertising agency. When the economy improves, change becomes more common. When it retracts, there is a return to basics."

SRI senior marketing specialist Robert Kimball feels that a faltering economy could impact the I-Am-Me group adversely, for example. "They are a narcissistic, exhibitionist type that thrives in affluent times," he notes. "Economic uncertainty could shrink their growth and force many of them back to the more traditionalist Belonger class."

Daniel Yankelovich, founder and head of Yankelovich, Skelly & White, warns in his new book, *New Rules: Searching For Self-Fulfillment In A World Turned Upside Down*, that basic changes have already occurred. He says: "Almost everyone concerned with self-fulfillment stresses how directly their plans hinged on their economic prospects. From the late 1940s into the 1960s, Americans cherished the new freedom their affluence secured for them. Then, abruptly, came a stunning reversal of the economy and the culture. As the culture expanded, the economy grew more restrictive. The economic reversals of recent years have disoriented Americans. What happens to choice when economic growth slows? In the past 10 years, a significant shift in attitudes has taken place—from an optimistic faith in an open-ended future to a fear of economic instability.

Whereas SRI uses a fixed typology of life-style groups, Yankelovich, Skelly & White, its chief rival,

Attitudes have shifted from optimistic faith to a fear of economic instability.

renames its life-style types as it acquires new information on social trends from its annual Monitor survey of public attitudes. The current line-up, according to vice president Ann Clurman, goes like this:

Classic Values—An older age group, tending towards more traditional values. The group first surfaced in the 1980 Monitor survey. The firm intends to pay close attention to this trend in this year's polling, especially to determine whether it is spreading to younger baby boomers.

Aimless Values—A young age group, hedonistic and goalless.

Idealized—Oriented to self-fulfillment through personal achievement.

Detours—Trying to pursue the good life, but have been thrown off the track by recent economic instability.

Balanced—Working out a quality of life synthesis, balancing new and traditional values.

"Although the major life-style thrust of the 1970s—that is, experience-oriented value systems—is slowing down," observes Ann Clurman, "we see no broad march back to the traditional values such as self-denial and everything-centers-around-the-family. People are becoming very selective, more thoughtful in choosing among their value systems. A broad-scale pattern of adaptation seems to have evolved. A key component of this move toward adaptation is long-term economic pessimism."

Others fret that the disappointed hopes will produce increased tensions in the decade. Arthur Kovar, research director of the New York ad agency Cunningham & Walsh, sees "a considerable number of people turning cynical, angry and disillusioned as they find that a lot of the good things of life they thought they had a right to are no longer attainable."

Apart from the tensions produced by a less expansive economy, the flip side of certain life-style trends may add another disquieting note to the 1980s. Consider, for example, the two-paycheck couple, a favorite marketing target that has leaped from 27 percent of all families in 1960 to 41 percent in 1980.

On the bright side, Sandra Shaber, director of consumer economics at Chase Econometrics, in Bala Cynwyd, Pa., predicts "Two-income families will become even more affluent this decade as such families, predominantly young, reach their peak earning years in their 40s and 50s. A large fraction of younger working wives, especially those in managerial, professional,

continued on page 194

Buying power of life-style groups

Category	Median Household Income
Need-Driven	
Survivors	Under $5,000
Sustainers	$11,000
Outer-Directed	
Belongers	17,500
Emulators	19,000
Achievers	30,000
Inner-Directed	
I-Am-Me	10,000
Experiential	22,000
Societally Conscious	25,000

Source: SRI International, based on 1979 income data.

and technical jobs, will remain in the workforce, and as they increase their years of continuous employment, contribute a growing portion of family income."

On the dark side, sociologist Suzanne Keller of Princeton University sees the same couple approaching a day of reckoning. Speaking at the 1981 annual conference of the Association of National Advertisers, she warned: "The question arises whether the two-income couple can long continue on their present course, without the basic amenities and services essential for well-being and successful functioning and, above all, peace of mind. For every well-meaning househusband, there are at least 99 employed wives carrying the dual burden of jobs and households, and child care as well.

"This will be a key issue in coming years, where the contradictions and pressures of current family and domestic arrangements will have become unmistakable to their hopeful young and older incumbents, and when the predictable reaction—anger, resentment, and resignation—will have set in."

If the 1980s will be a time of testing the new life-styles, it will certainly witness a revolution in home-oriented electronics that will pose a new set of challenges for the restaurant industry in that it will have implications for the frequency with which consumers and business travelers eat out. The electronic tidal wave that is coming will consist of different forms of cable TV, direct broadcast satellites, video games and video discs, personal computers, and broad-band communication systems such as home-focused information, banking, and shopping services that wed the TV set to the computer. Studies by RCA project that, by 1990, Teletext/Viewdata services will be in 33 percent of the homes, videodisc players 28 percent, pay cable TV 25 percent (with subscription TV chipping in another 7 percent), video games 20 percent, video cassette recorders 17 percent, home computers 13 percent, and direct broadcast satellite.

Unlike traditional TV viewing, a passive activity, the new electronics will be highly interactive and personal, giving the consumer a flood of options to choose from as regards to information, entertainment, instructions, and culture. Potentially, then, they can induce the consumer to spend proportionately more of his time in the home.

> There is a move away from material rewards to personal experiential goals.

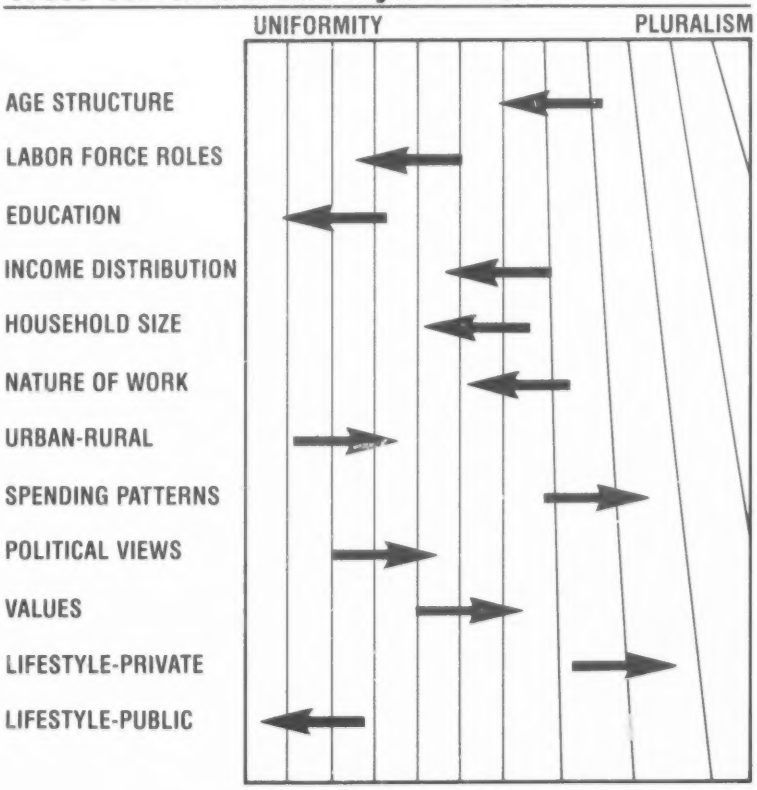
Ellen I. Metcalf, a specialist in consumer behavior at Arthur D. Little, in Cambridge, Mass., reasons in a recent client report: "As people desire more individual pursuits, they'll place increasing emphasis on activities that can be mastered easily, provide high rewards in a short time period, and can be accomplished in or near the home. Hence, such things as home computers, cable TV, videodises, and exercisers will be high on their shopping lists."

Yankelovich vice president Ann Clurman also sees somewhat more "discretionary" time spent in the home because "people look on their home as a financial investment, a hedge against inflation, so they'll spend more time there. Also, many households will be moving into the family-formation stage so that even if they decide on just one child that means more time in the home."

On the other hand, Ruth Ziff, executive vice president of the New York ad agency Doyle Dane Bernbach, notes that one of the most significant findings of the firm's latest survey of life-styles of the "middle" generation aged 25 to 49 "is the acceleration in the move away from material rewards to personal experiential goals, that is, activities that contribute to physical and emotional well-being, things such as leisure and recreation. More than half (56

continued on page 196

Cross-Currents in Life-style Trends



Source: Walter Dolde

percent, up from 48 percent a year earlier) feel a vacation is no time to cut corners and that they'd rather spend money on leisure activities than on material possessions."

Electronics outside the home could also pose a challenge. As transportation costs rise and telecommunications costs decline, teleconferences will play a bigger role in the business travel picture. However, this need not spell a net loss in eating-out, according to Douglas Frechtling, executive director of the U.S. Travel Data Center, a nonprofit research group. Says he: "Instead of having large-scale national meetings, with attendees flown from all over the country to one city, companies will go for more small-scale conferences, with personnel brought to a few selected hotels that are equipped for teleconferences. The result will be a net gain in nights away from home and meals consumed away from home."

Because the first tremors of the new home-based electronics revolution are just being felt, few observers have tried to assess the impact it will have on markets. One who has is William Donnelly, senior vice president, Young & Rubicam USA. He contends: "Major developments in communication technologies create, or cause, new social structures to come into being. This happened with the invention of writing, printing, and television." The new electronic media, he continues, will bring "such quantum leaps in the ability to store and retrieve information, in the availability of readily internalizable entertainment and in the availability of services that they will cause a new kind of individualized cultural segmentation." He calls it the "Confetti Generation" because of the vastly increased options and activities it will present.

Plainly, then, the markets of the 1980s that the restaurant industry caters to will be sharply different from those of previous decades. The marketer who plans ahead to capitalize on the changes, rather than react defensively when they come, is the one who will score the competitive edge and be winners.

The biggest marketing challenge facing restaurants in the '80s will be the sweeping electronics revolution.

Impact on industry

These changes will produce a restaurant industry that by 1990 will be strikingly different from today's version. The ability to assess life–style shifts and redirect marketing strategy to exploit them will determine who survives the challenges of the 1980s.

The deeper insights into various market segments, as revealed by life–style analysis, will enable sophisticated managers to sharpen their sales focus. Restaurants that want to cast a wider net and appeal to more than one life–style group may find that uniformity in menu selection and facility design is not in step with customers who crave different types of eating-out experiences.

Life–style groups themselves will present shifting targets. For example, Belongers, the biggest group, will shrink an estimated three percent in the 1980s while Experientials, the avant garde group, will expand a hefty 46 percent. Obviously, the two groups can not be wooed by the same type of menu.

Average income per household is expected to grow at a slower pace in this decade than in the prior one, promising even more intense price competition for the away-from-home food dollar. Management Horizons' Roger Blackwell predicts "couponing and other off-price devices will become a way of life, especially in the fast food sector."

Households will become smaller, with fewer children in the typical family and one-person units continuing their rapid growth. This means adults will have more dollars to spend on themselves and will change their spending patterns.

Slower economic growth has strong implications for the travel trade, a critical revenue source for the restaurant industry. As Douglas Frechtling, U.S. Travel Data Center, points out: "Lifestyles give the urge to travel, but the economy dictates the ability to travel."

The distribution of leisure-recreation dollars is undergoing a seismic shift. As Chase Econometrics' Sandra Shaber notes, "One of the most pronounced changes will be the declining importance of travel and other 'away-from-home' activities and their replacement by activities centered in the home." Home-centered leisure, she says, increased from 35 percent to 40 percent of leisure spending in the 1970s and will increase to 42 percent by 1983.

The biggest marketing challenge that will confront restaurants in the 1980s will be the sweeping electronics revolution created by the computer-on-a-chip, symbolized by the personal computer.

On the one hand, the spectrum of products oriented to a wedding of the computer and the TV set will strengthen the trend to at-home leisure and recreation.

On the other hand, the president of a leading home computer company, observes: The most striking development of the 1980s will be the transformation of the personal computer from "a stand–alone terminal to a device with the ability to function as an intelligent terminal with high-speed data communications capability." This means that at-home banking and shopping services will establish a foothold in the 1980s, reducing the number of times people will perform such chores outside the home and, consequently, fewer potential visits to a restaurant.

Faced with this possibility, the more sophisticated restaurants will devise ways to maintain contact with this elusive customer. Catering services that are oriented to at-home entertaining will attract more attention. Other innovations in standard practices will suggest themselves as marketers readjust their sales strategies to the demands and needs of the changing consumer of the 1980s.